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Trade Associations, Narrative and Elite Power Final version

for Theory, Culture and Society special issue on Elites and Power After Financialisation

Trade associations, narrative and elite power

Andrew Bowman¹, Julie Froud², Sukhdev Johal³ and Karel Williams²

1 Centre of African Studies, University of Edinburgh UK

2 Alliance Manchester Business School, University of Manchester UK

3 Management School, Queen Mary, University of London, UK

Corresponding author: Dr Andrew Bowman, Centre of African Studies, University of Edinburgh, 3.01
Chrystal Macmillan Building, 15a George Square, Edinburgh EH8 9LD, UK.

Abstract

This article introduces and develops the concept of trade narrative to understand how business sectors defend against public disapproval and the threat of increased regulation or removed subsidy. Trade narrative works by accumulating lists of benefits and occluding costs, and is created by consultants for economic interests organised via trade associations. This represents an under-analysed 'policy-based evidence machine', the aim of which is to format the discourses of the media and political classes about the contribution of the sector in ways that frame political choice about what is thinkable and doable. In doing so it supports elite power by providing a relay for intra-elite communication. Using illustrations from privatized railways, banking and pharmaceuticals in the UK and US, the argument explores how the causal arrow runs in the opposite direction from that supposed in most discussion of discourse-economy relations in the field of cultural economy.

Key words: corporate business, economics, narrative, public policy, trade association, elite power, trade narrative

1. Introduction

'Political parties, however much they may be founded upon narrow class interests and however evidently they may work against the interests of the majority, love to ...present themselves as co-operating with all the citizens of the state, and to proclaim that they are fighting in the name of all for the good of all' Robert Michels (1911: 16).

The quotation from Michels is dated by his reference to mass, class based parties, but his claim still stands more than one hundred years later: in democracies with universal franchises, the public discourses of political justification work by invoking the general interest, identifying the public good and claiming social benefits which often cover private advantage of all kinds. Michels (1911: 16) called this the 'philanthropic mask' and this paper contributes to our understanding of how this process plays in present day capitalism in high income countries. Here the role and power of business has greatly increased but elites are less socially homogeneous; public interest justifications are still necessary but increasingly problematic where business enriches the few more reliably than it benefits the many (Piketty, 2014).

This paper considers how business, organised through sectoral trade associations, now meets the demand for public interest justification by producing 'trade narratives' about the social contribution of business, especially in sectors like pharmaceuticals, finance and the privatised utilities which face disapproval from consumers and the media, or are threatened by unfavourable regulation and removal of public subsidy. Trade associations typically commission outside expertise in a consultancy firm to do the work of calculation; the resulting trade narrative classically takes the form of a list of social benefits - big numbers on jobs created, exports generated and taxes paid - which are directly attributed to private firms operating under the existing regulatory and contractual regime. Within this narrative frame, it becomes easier to justify the maintenance of that regime and ideally to frame political choice about what is thinkable and doable as policy.

This interesting phenomenon has been neglected because political science and cultural economy have had other preoccupations. Trade narrative is a public form of communication which works through reports, press releases and pamphlets; whereas political science has been more concerned with business influence through lobbying behind closed doors. In trade narrative, the causal arrow runs from the economy to discourse with expert knowledge as a docile calculator on an hourly rate, charged with serving the existing order. By way of contrast, in the performativity and governmentality literatures on the economy, the causal arrow runs in the opposite direction as the

discourses of experts format the economy and theory constitutes its object. This is so in Callon's (1998) performative economics, Mackenzie's (2008a) description of financial models as 'an engine, not a camera', and Miller's (2001) concern with calculative practices and 'visibility'.

If we consider effects, trade narrative is part of an altogether messier world of business story telling amidst uncertainty. Trade narrative immediately creates a kind of halo effect around private business but the trade calculations are intellectually vulnerable because they exaggerate by ignoring costs and listing social benefits which are entirely attributed to the agency of private firms with all the complications glossed over. The political results are mixed. Many trade narratives work through an echo effect to frame debate as politicians and regulators repeat contestable but unchallenged trade claims about social benefits without recognising that this narrative is 'economical with the actualité' (Telegraph, 1999). Trade narrative may therefore be important for intra-elite communication and co-ordination but the political results are not robust because trade calculations of social benefits are almost certainly too technical to influence most of the electorate.

The paper which develops these arguments is organised straightforwardly into four further sections. The next section explains how political science and cultural economy have focused elsewhere so that there is little discussion about the effects of what in Boden and Epstein's (2006) terminology we could call 'policy-based evidence machines'. Section 3 describes how economic interests format discourse by considering the standard form of trade narrative; this lists social benefits to create a halo effect around private interests which works through selection and de-contextualisation. This is illustrated with case material drawn from privatised railways, pharmaceuticals, finance and defence in the United States and United Kingdom. The fourth section considers political framing and shows how trade narratives are an important, but not necessarily robust, means of intra-elite alignment through an echo effect as political elites are enlisted to repeat trade claims and policy supports private interests. The final section offers a conclusion which considers the implications for public debate.

2. Literatures with other objects

Quite remarkably, there is no substantial, extant literature on trade narrative. The task of this review section is to explain why this is so because political science and cultural economy have been preoccupied with other objects like lobbying and performativity and have therefore focused on other kinds of power and influence (including elite power) which work in ways very different from trade narrative. As we argue in our review, the focus on the power of lobbying and performativity is

not wrong but ill-suited for this instance simply because it consigns trade narrative to the edges of the field of the visible. There is a useful discussion of issues cognate to trade narrative in the literatures on policy evaluation and on business story telling. But, as we will argue, these literatures leave us with no clear model for thinking about the nature and efficacy of trade narrative, which is the concern in subsequent sections of this article.

The analysis of lobbying in political science can be traced back to *Finer's* (1958) seminal work. But the current preoccupation owes much to the way in which lobbying was foregrounded a generation ago from the right by liberal economists like *Kreuger* (1974) and *Stigler* (1971), who believed that lobbying interferes with markets. From a very different centre left point of view, the power of business lobbying was highlighted in the 2000s by radical and social democratic political scientists including *Crouch* (2004) and *Moran* (2003) who were trying to understand the polity that has replaced the Keynesian welfare state. While some pluralist political scientists appear relaxed about it, there is widespread suspicion about lobbying. This has been fed by a popular, progressive literature on corporate lobbying which frames the activity as a subversion of the formal democratic process because lobbyists can buy influence over decisions from a corruptible political system (e.g. *Lessig*, 2011; *Cave and Rowell*, 2014; *Palast*, 2004).

Much of the post-1970s liberal critique of lobbying derives from two seminal articles by former World Bank chief economist, *Anne Krueger* (1974) and by Chicago economist *George Stigler* (1971) who criticised 'rent seeking' and 'regulatory capture' by special interest groups which politically subvert efficient markets. Electoral disengagement meant that political representatives had wide discretion to introduce regulations which were not in the general interest (*Stigler*, 1971: 10-11) and business – or at least big business – was well incentivised and resourced to seek influence. *Krueger* (1974) argued that rent seeking could become a competitive activity as business elites will attempt – legally and illegally – to influence officials and elected politicians for special privileges and protections (*Krueger*, 1974: 292-3). *Stigler's* separate but related work on regulatory capture argued that all business interests – from truckers to professional groups – will use state regulation to create and maintain enclaves of privilege: applying the principle of rational choice, he argued that 'every industry or occupation that has enough political power to utilize the state will seek to control entry' of competitors by means such as quotas, tariffs and price controls (1971: 4-6).

Politically, these concepts of rent seeking and regulatory capture contributed to the ascendancy of public choice economics within policymaking circles. They eroded the 'idealistic view' of state regulation in the public interest (*Stigler*, 1971:17) and propelled subsequent efforts to roll back what *Krueger* termed 'the proliferation of economic controls' in the post-war period (*Krueger*, 1974: 293).

Intellectually, these concepts framed much subsequent academic work on how sectoral business interests seek political influence in high income countries. They have been employed extensively, and convincingly, in studies of how the financial sector used lobbying to obtain 'light touch' regulation prior to the 2008 global financial crisis and generous bailouts afterwards (e.g. Blau et al., 2013; Young, 2012; Igan et al., 2009). Much of what happened before and after the global financial crisis can be fitted into a framework of regulatory capture.

More recently, from a quite different point of view, the preoccupation with lobby power has been reinforced by radical and social democratic political scientists concerned to understand the changes of governance and government which have paradoxically granted business much more political influence since the liberal turn in Britain and America. In a history of the British polity, Moran (2003: 4-5) argues that 'club government' has been replaced by 'hyper innovation' and a new kind of 'regulatory state' which takes on more than it can manage in areas like rail regulation and food safety. By implication, governance then becomes increasingly dependent on business advice and consent. Crouch develops a different argument about post-democracy and the retreat of the Keynesian welfare state in Western high income countries. After the atrophy of mass parties and the decline of the organised working class, elections become a 'spectacle' (Crouch, 2004: 4) and 'politics is really shaped in private by interactions between elected governments and elites that overwhelmingly represent business interests' (Crouch, 2004: 4). A professional political class is 'linked to the rest of society more or less solely via business lobbyists (Crouch, 2004: viii) and the key institution is 'the global firm' which can lobby on its own behalf without requiring trade associations.

Across this disparate body of work, the preoccupation is with lobbying as a privileged form of business power. Lobbying is generally understood as insider persuasion behind closed doors and about specialist technical issues; and this is very different from the public communication about broad social benefits which concern us in this article. This point emerges clearly from political science reference works and scholarly studies. The *Oxford Handbook of British Politics* (Flinders et al., 2009: 1-2) defines lobbying as attempting to modify public policy 'in specialist policy debates'; lobbying is part of a complex 'insider politics process' which seeks the consent of affected parties and which grants access and influence in return for political support and policy advice'. This is the definition of business power which is operationalised in studies of lobbying at different political levels. Thus, the standard scholarly account of EU lobbying by Coen and Richardson (2009) focuses on the influence of 2,600 special interest groups which have Brussels offices. The focus is on their influence over legislation in the pre-drafting stage which has contributed to the emergence of 'a

European level policy making elite' especially on technical standard setting and regulatory issues like light bulb efficiency or car emissions (Coen and Richardson, 2009: 347).

Lobbying over technicalities does matter: for example, concessions to industry lobbyists have allowed diesel vehicle emissions which are the major contributor to the pollution of outdoor city air that, according to official calculations, causes more than 40,000 premature deaths in the UK every year (Royal College of Physicians, 2016: 3). But the focus on lobbying in political science encourages narrow ways of thinking about influence in terms of the intentionality of corporate actors; in doing so it neglects more recent concern with how knowledges format the world and possibilities of action which is represented in the newer cultural economy literature on the performativity of economics. If we are considering trade narrative, this cultural economy literature appears relevant because trade narrative is produced by specialist consultants and much of it uses economic categories. But, the issue here is that cultural economy since Callon has tended to represent (economic) expertise as an active and evolving theoretical framework always ready to constitute new economic orders or market arrangements; in this respect, cultural economy shares key active knowledge assumptions with the earlier literature on governmentality. The problem is that, in trade narrative, expertise figures rather differently as the docile servant.

Callon set a new agenda for study of the economy-discourse relation when he argued economics 'performs, shapes and formats the economy, rather than observing how it functions' (1998:30), because economics enacts the reality it describes by influencing economic actors who are the ultimate object of economic theory (2006: 5). In the science and technology studies-influenced literature on finance by authors like Mackenzie (2004), Mackenzie & Mollo (2003), Callon (1998; 2007) and Beunza and Garud (2007), the technical discourse of financial economics constitutes the economy (or at least particular markets within it), as the mathematical models and theories of the former shape behaviours among market participants who then perform the latter. The performative relationship between discourse and its object can 'misfire' (Callon, 2010) or become counter-performative (Mackenzie, 2004), but the underlying basis for such research is a causal arrow running from discourse to the economy. An example of this approach is Beunza and Garud's (2007) work on stock analysts following Amazon.com, which in their view, ultimately shaped markets by guiding the behaviour of market participants – the large portfolio managers who were the clients of the analysts.

As Beunza and Garud argue, calculative frames were unstable: both subject to critique from rivals, and hostage to events which rendered them untenable (in this case, the dotcom crash). Callon uses the term *agencement*¹ to describe the co-evolutionary relation between discourse and its object,

and the issue for economic theory is less its truth value but whether it can create a stable agencement (2006: 16). This arrangement of discourse and materialities is tied together and broken apart by events as elaborated in Mackenzie's path-breaking work on derivative markets, which argued that the theory itself changes the object to which it refers (Mackenzie, 2004: 306). During its widespread adoption from the mid-1970s to 1987, the Black-Scholes option pricing equation created the worldly conditions for its own verification (Mackenzie and Millo, 2003). However, the formula also encouraged behaviours which eventually undermined the conditions of its verisimilitude, a process Mackenzie calls 'counter-performativity' as the adoption of the theory weakens 'the preconditions of its own empirical validity' (Mackenzie, 2004: 306). This is continued by Mackenzie's subsequent work on the post-2007 financial crash, where causal significance is attached to cross-default assumptions on mortgage securities which had been carried over from corporate bonds (Mackenzie, 2008b).

In a second category, the earlier, Foucauldian-inspired literature exemplified by, for example, Miller (1990, 2001; Miller & O'Leary, 1987), Mitchell (1998, 1991) and Ferguson (1990), pays more overt attention to the operation of political interests in the discursive formatting of economic life. However, this literature also describes a causal process in which predominantly expert discourses – in these instances, management accountants and development planners – bring their objects into being. Miller and O'Leary (1987), for example, take the accounting innovation of standard costing and budgeting in the early 20th Century as a 'calculative technology' which facilitated increased management supervision, subjecting the workforce to 'a continual process of judgement' (Miller and O'Leary, 1987: 242). Expert discourse in fields like accountancy or state planning, argued Miller and Rose (1990: 7), is not simply a conveyor of meaning but an 'intellectual technology' which constitutes political objects. Moreover, Mitchell's (2002) work on economic development interventions in Egypt raises broader issues about how the idea of 'the economy' as a politically manageable, autonomous realm in social life relates to the mid-20th Century advent of macro-economic modelling techniques and aggregated national economic statistics (1998: 89-91). Mitchell captures the political outcomes of economic expertise which include the unintended and perverse as in the opening chapter of his *Rule of Experts*. But again the founding assumption is that the causal arrow runs from discourse to the economy, because none of the elements and relationships described within the economy pre-exist representation (Mitchell, 1998: 92).

Matters are altogether more complicated if we consider cultural economy analyses of non-expert, multi-author discourses on the economy, which present a messier world of circularity and infelicity where there are no clear arrows and more hucksters than experts. The relevant work here includes studies of unstable narrative framings and the story telling of giant firms under pressure for

shareholder value (Froud et al., 2006) or studies of the formation of stock market bubbles through processes of 'rhetorical fabrication' (Thrift, 2001; 1997). Here we have discussion of issues cognate to sectoral trade narrative but conducted on the assumption that everything proceeds smoothly until numbers which are beyond the story teller's control undermine the plausibility of the narrative. Again, this does not engage with trade narrative where, as we will argue, the arithmetic is such that the numbers are always positive and corroborating.

Since the advent of shareholder value, individual public companies have had to produce stories for investors and try to enlist analysts and journalists as co-authors. Froud et al. argue the result is a giant firm 'narrative of strategic purpose', combining both words and symbolic actions with a performative intent (2006: 122-33). However, the plausibility of the narrative depends on supportive financial numbers when management has limited capacity to manage the financial numbers; these represent the 'obdurate externals' to the narrative (Froud et al., 2006: 100). If the financial numbers corroborate the narrative of management purpose and capacity, as in GE under Jack Welch, the markets and media suspend disbelief. When, more usually, the firm is struggling to produce the financial numbers, as in Ford under Jac Nasser, the results are messy and often include the departure of the storytelling CEO.

There is a similar emphasis on storytelling and its limits in the work of cultural economy authors like Thrift (2001) on how a phenomenon like the new economy is talked into existence, or Frank's analysis of the rise of 'market populism' (2002: xiv). Neither is centred on sheltered coterie of experts. Thrift's 'cultural circuit of capital' is about 'the link-up of a series of institutions to produce and disseminate business knowledge' and it comprises business school academics, finance gurus and management consultants (Thrift, 2005: 95) who provided the 'rhetorical push' for the dotcom boom (Thrift, 2001: 414-16). In parallel, governments and corporate executives not only talked-up but embodied the 'new economy' through policies and management strategies, creating 'a taken-for-granted world which... assumes the new economy's assumptions' (Thrift, 2001: 418). But all this only talks up the value of dotcom stocks before the inevitable crash because prices are hugely ahead of earnings. Here again, the numbers are the obdurate, uncontrollable externals which change so that they make the taken for granted unbelievable.

For all its emphasis on the formatting of the world, many different kinds of cultural economy recognise the intrusion of awkward events and contradictory evidence as a kind of limit on fabrication. Interestingly, a rather different position is taken by some authors in the policy evaluation literature where evidence is manipulable and empirics do not get in the way of a good story. Boden and Epstein's (2006: 226) argument about the government machine was that the

routines of 'evidence based policy making' delivered little social benefit but benefited the political classes as 'government, in its broadest sense, seeks to capture the knowledge producing processes to the point where this type of 'research' might best be described as 'policy based evidence'. Their pejorative description most obviously fits the agenda-managing efforts of government departments like health and education in the UK when faced with the task of justifying a succession of ill-conceived and poorly executed initiatives and reorganisations like commissioning in the health service. But it does raise interesting questions about whether the policy-based evidence machine is much larger and includes trade associations and consultancies that feed government and the media in ways that benefit private interests; and, if so, how does it manage the empirical dimension of narrative and with what effects?

3. Trade narrative and the halo effect

If trade narrative is a neglected object, it is quite another thing to argue that this is an important adjunct to the power of business in present day capitalism. To make that larger point, this section considers how trade narrative is produced to create a kind of *halo effect* whereby all the private firms operating in a sector like pharmaceuticals or finance make a measured and positive social contribution to the public good; the subsequent section considers the effects of trade narrative which can interpellate elite political subjects and thereby establishes a fallible power. Our starting point is that some (but not all) trade associations commission narratives about how the sector serves the public interest. These are produced by enlisting consultants whose calculation takes a standard arithmetical form because it adds up the positives (and only positives) to produce large aggregate totals of social benefits like exports, jobs and such like; sometimes supplemented with economic modelling of benefits. We would add that criticism is met with restatement of the numbers, not reflection on the limits of the benefits calculation so that this knowledge is politically edifying rather than intellectually interesting.

All trade associations provide direct membership services of one sort or another as recompense for the membership subscription which individual firms pay. Such membership services can include insurance, collective promotion through trade fairs or advertising campaigns, as well as issue-by-issue lobbying on regulations relevant to the trade. And these services are the sole activity of many or most trade associations like the UK-based National Federation of Roofing Contractors or the Carpet Foundation. But, in Davis' Bourdieusian terminology, some trade associations also have a different kind of promotional role as intermediaries engaged in the exertion of 'discursive and symbolic influence' for economic interests (2013: 9). These trade associations which engage in this

supplementary promotional activity typically operate in sectors which are exposed to political pressure because profit opportunities depend on a contestable regulatory regime or state subsidy. Examples of such associations include, for example, in the UK the Association of Train Operating Companies (ATOC) and the Association of the British Pharmaceutical Industry (ABPI), which must respectively defend the privilege of state subsidy for privatised rail operators and the regime of intellectual property rights which grants the patents that shield shields drug companies. In the United States, examples include the Center for Capital Market Competitiveness (CCMC) and Financial Services Roundtable (FSR), which have resisted pressures for far-reaching re- regulation in the wake of the 2008 financial crisis; or the National Defense Industrial Association (NDIA), whose narrative defends the contractors who benefit from state military spending.

Some of these trade associations are under immediate pressure from social critics, others are more comfortably placed. But the immediately interesting point is that the trade narrative typically down plays explicitly partisan political argument in favour of piling up empirics about broad social contribution. Especially in the United States, some trade associations use free enterprise rhetoric: thus, the Center for Capital Market Competitiveness (2015) combats the reformist pressures in the wake of the financial crisis with 'ten truths about the financial system' which include the claim that 'overregulation stifles innovation'. But, altogether more typical is the arms industry's National Defense Industrial Association (2015) approach of highlighting '[t]he contribution that the aerospace and defense (A&D) sector makes to American economic success'. Trade narrative thus aims to be an indirect form of persuasion: the decisive consideration is the empirical size of the contribution not the inherent virtue of private enterprise and free markets; this focus is useful because many of the firms in sectors under pressure do not operate in competitive markets, instead enjoying the benefits of various kinds of monopoly.

The work of measuring social contribution is typically done by outside consultants. This is partly a matter of practicality. Trade associations usually have a limited in house research capacity when their own staff economists only monitor sales, exports and such like; they generally lack the expertise for technical exercises like economic modelling. Hence trade narratives either draw on, or are jointly authored with, consultancy firms of various kinds. In the UK, the major consultancies producing trade narrative include Oxford Economics, McKinsey & Company, and the Boston Consulting Group as well as the consulting arms of the big accountancy firms like KPMG and PWC. Firms like KPMG have worked on trade narrative for many different sectors and thus have an organisational knowledge of what is required and can easily provide a variant product to the next sector that comes along. In this context, trade narrative could be considered a routine or practice.

The relation between trade association and research consultancy is ambiguous in much the same way as in the case of the relation between the public company and its auditor; the consultancy is both a hired hand who delivers what the client wants and an independent source of authority for the veracity of the numbers. The consultants offer expertise as docile calculators at the service of business needs on an hourly rate. Thus, Oxera's website promises knowledge and technique at the service of the client: 'benefit from our deep sector knowledge, combined with our unrivalled economics skills, tailored to your business need'. But consultancy names and logos also feature prominently in the trade's reports and glossy pamphlets because the explicit crediting of research to external experts buttresses the authority of claims which could otherwise be dismissed as special pleading. The Association of Train Operating Companies (ATOC) 2013 report about 'how franchising helped transform railways into a success story' presented 'original research' based on 'data collated and analysed by KPMG'.

Across many different sectors, trade narrative then takes a generic form because social 'contribution' and 'value' is demonstrated by attaching big numbers to a list of good things which are attributed to private action. The question is usually the same and is often in the title of the report; the answer is a list of big numbers which dominate the executive summary. Thus, Oxera (2014) for the Rail Delivery Group asks '*What is the contribution of rail to the UK economy*'; the Association of the British Pharmaceutical Industry (2014) reports on '*Delivering value to the UK: the contribution of the pharma industry to patients, the NHS and the economy*'; and the British Banking Association (2014) on '*The benefits of banking*', outlines how, although the sector 'made mistakes in the last decade', through taxes '[banks] contribute billions of pounds a year to our public services, paying the salaries of nurses, teachers and other vital workers'. The Association of the British Pharmaceutical Industry (ABPI) (2014) has an eye-catching opening page graphic which gives 'our value in numbers'. Six big figures emphasise the technology base and the trade contribution, with £11.5m invested in the UK per day on research and development, a trade surplus of £3bn, and responsibility for one eighth of the 'world's most popular prescription medicines' (ABPI, 2014). In the same way, pushing at the spending limitations imposed by the 2011 Budget Control Act the National Defense Industrial Association suggests the defence industry contributes 5% of US manufacturing output and makes the 'highest net positive contribution to this country's trade balance of any economic sector' (National Defense and Industrial Association, 2015: 1).

This contribution is occasionally calculated by economic modelling. Thus, the Rail Delivery Group commissioned Oxera consulting to provide 'an independent assessment of the contribution of the GB rail industry to the UK economy' (Oxera, 2014). Oxera did so by economic modelling which produced the bottom line claim that, since privatisation, the 'change in industry model ... may have

provided benefits of up to £7.2 billion in 2013'. More usually, the calculation is arithmetical and the method is adding up numbers which have a positive value. The categories must be varied sector by sector because research expenditure is a relevant activity specific measure in pharma but not train operating. But there is also much emphasis on what might be called generic aggregates like exports and jobs which can be treated as indisputably good things. The end result is a list of big numbers often summed up as financial values quoted in millions of pounds and/ or benchmarked against national income. There are sometimes half-hearted attempts to translate such abstractions into specifics which could figure in popular political debate, as when the British Bankers Association claims that its members contribute enough in tax revenue to pay 1,130,725 nurses (BBA, 2014).

This accentuation of the positive is reinforced by a causal trope: private initiative is relentlessly identified as the cause of all the good things summed in the big numbers. The case for the status quo has to be aggressive in a sector like rail. Here there is cause for public concern when direct and indirect state subsidy rose in the 2000s to levels higher than during public ownership (Bowman et al., 2013a) and franchisees have walked away when faced with insufficient profits (McCartney & Stittle, 2011). In the Association of Train Operating Companies (ATOC) 2013 report, the strategy is not to mention such embarrassments but foreground successes which are all attributed to rail franchising.

The franchising model has *enabled* train companies to generate significant financial returns for the Government, *played a crucial role* in delivering unprecedented growth in journey numbers, and *provided* passengers with improved services and better value (ATOC, 2013: 29; emphasis added).

If trade narratives are taken at face value, in each sector they create a kind of halo effect around private firms. For the message of trade narrative is always the same: the pursuit of private profit under the present regulatory and contractual regime produces a large stream of social benefits which have been carefully added up by independent researchers. The sometimes explicit conclusion is that, as in the Association of the British Pharmaceutical Industry's argument, the sector is a national 'asset' which should be 'nurtured' by appropriate regulation (ABPI, 2014: 2). It is ironic that some of this uses the techniques of economics; or more commonly invokes the prestige of economics, even though such presentations can be read as highly political. The intellectual problem is that trade narrative rests on multiple decisions which always have the effect of flattering the contribution of the firms within a sector. The flattering effect is produced by three devices routinely used by consultants to produce the list of big number benefits: first, an arithmetic which adds

benefits without subtracting related costs; second, de-contextualization which accentuates the positive; third, assertion of doubtful causal connections without qualification or hesitation.

Addition without subtraction. Academic economists disagree about how to measure costs and benefits; they also debate whether established techniques of cost benefit analysis are relevant to large projects with long-run consequences (Ackerman and Heinzerling, 2004). But most would agree that costs as well as benefits should be included in any social calculus of business impact. In trade narrative, the consultants instead produce benefits-and-no-costs analysis, which is inadequate in all sectors and positively egregious in finance, where the socialisation of losses has imposed huge social costs. Engelen et al. (2011) discussed the inadequacy of the trade narrative around the benefits of finance before and after the great financial crisis which led to recession after 2008. Strikingly, six years after the 2008 crisis, the consultancy firm Oxford Economics (2013: 2-3) is still providing annual updates on the 'contribution' of London financial services to gross value added (net output). These calculations do not recognise that, for example, because of a finance-induced recession, overall national output in the UK is substantially lower than would have been expected from the long term trend before financial crisis; or acknowledge that a variety of widely cited studies by Haldane (2010) and others provide widely accepted measures of that output loss.

Decontextualization to accentuate the positive. For example, in the pharmaceutical industry's trade narrative the key decontextualized factoid is spending on research and development. This is decontextualized because big pharma companies have frequently spent more money on marketing than research and development. And furthermore, despite endless reorganisation, most research and development does not produce fundamental innovation but imitative drugs; while big pharma also avoids developing products in therapeutic areas, like antibiotics, where there are limited prospects of recovering development costs (Froud et al., 2006: 149-223). While this kind of supplementary information could be read in many ways, it is clearly the case that any overview should include the overall composition of costs and would also consider marketing and research and development expenditures side by side because high expenditure on both is the defining characteristic of the traditional blockbuster pharmaceutical business model. Marketing spend does not figure at all in the pharma trade narrative simply because it would complicate the story.

Assertion of doubtful causal connection. The consultants engaged by the rail industry attribute the increase in passenger numbers to the marketing and pricing policies of the private train operators; but many other researchers (and the train operating companies themselves) recognise the importance of GDP growth and fluctuation as the key driver. If yield management by train operators did boost passenger numbers that also produced discontent about cheap fares for advanced tickets

at inconvenient times (Bowman et al., 2013a: 121-7). Furthermore, pricing and marketing are unlikely to be the sole or main driver of passenger numbers because gross domestic product (GDP) growth, employment patterns and inner city house prices are all likely to exert a large influence over passenger numbers. Most of this is entirely outside the control of the operators. The train operating companies privately conceded that GDP drives passenger numbers when they successfully lobbied government for franchise contract terms; this is because their subsidy was linked to GDP growth (Bowman et al., 2013b: 10).

McCloskey (1985) argued that economics discourse is partly rhetorical in ways which involve unjustified assumptions and leaps in argument towards assertion. But trade narrative carries this to an extreme. There is no one correct answer to the question of how to represent complex sectors of the economy, but all the intellectually interesting mess is conjured away in trade narrative. Thus, trade narrative works by turning each sector into a different Potemkin village presenting an agreeable prospect of social achievements produced by the private sector. It is however pointless to lament the intellectual deficiencies of trade narrative calculation and attribution, when the key questions are about political effects.

4. Political justification and the echo effect

This section turns to analyse the political effects of trade narrative, arguing that it works through an echo effect as the political classes (elected and official) and regulators often repeat facts, assertions and assumptions culled from trade narrative as the ready-made public interest justification for decisions and regulatory stance. If we set this in the context of financialisation, trade narrative has a new and important role in intra-elite communication because it connects and aligns corporate business and finance with senior politicians, civil servants and regulators; these are the decision makers in centralised and hierarchical national political systems but they are beyond direct business control and formally responsible for serving the public interest. The caveat is that trade narrative probably has very little influence on ordinary citizens; so, the operation of the elite relay depends on a post-democratic disengagement which is threatened by any kind of insurgent populism.

Giant corporations and financial elites face a recurrent problem about how to manage sovereign political power. This has been addressed via different mechanisms and institutions in various forms of industrial and financial capitalism, which also transform the field of elite action. The connection between finance and business elites was in many ways strengthened by financialisation. Financial deregulation after the late 1980s in the UK and USA gave finance a leading role and opened new

opportunities for organised money in the form of fund investment to press its distinctive priorities on corporate business: managers of stock market listed companies were directly subject to shareholder value demands, while private equity spread the arbitrage of limited liability and other practices of controlling subsidiaries so as to maximise returns for the parent (Erturk et al., 2008: 1-43). But, the connection of business and finance with political elites was weakened because employers' associations lost a political role in the UK and USA with the end of the formal and informal corporatism that had co-opted business organisations and elite business leaders into political processes (Mizruchi, 2013).

If financialisation gave business and financial elites a much larger sphere of action in the UK and USA, the end of high level political conversation that was a feature of corporatism also created new problems for business about how to manage government, which operates ostensibly around notions of the public interest and social good. And this problem had to be solved because structural reform in countries like the UK and USA had become a politically-sponsored attempt at market creation which did not remove the state from whole sectors, but rather reconfigured its role. This new state role included setting regulatory frameworks which engineer the market especially in the privatised utilities with natural monopoly; and subsequently, justifying various forms of outsourcing. The new role included the provision of various forms of direct or indirect subsidy in sectors of foundational importance; hence, in the UK and other high income countries we have financial support for infrastructure or deposit guarantees for the banks to safeguard provision of welfare-critical goods and services. In this context, the sectoral trade association gains a new role as storyteller to government and wider society, with trade narrative supplying a high-minded public justification of subsidies and protection through claims of social contribution. This work cannot easily be done by a multi-sector employers' organisation because the post-1979 assault on the social settlement in the name of competition is like house breaking; sectors must be tackled one at a time, and corporate interests must subsequently be defended sector by sector. As Mizruchi (2013) argues, big business may have lost a broad view of the social interest; we would add that in politically exposed sectors it can still hire consultants to make a sectoral argument about social contribution.

The first index of successful trade narrative is therefore *an echo effect*, when the speeches of senior politicians and regulators repeat trade claims about sectoral achievement and social contribution. As British transport ministers routinely do in relation to the rail sector (see, for example, Department for Transport, 2013). Politicians of the centre-right and centre-left benefit because a listing of the social benefits delivered usefully rebuts the charge that public policy serves private interests; regulators benefit because it removes the suspicion they have been captured. The echo benefits the

sector because it makes undoing existing institutional and regulatory regimes more unthinkable and encourages policy changes which are conciliatory rather than challenging. The most notorious example of this kind of echo effect can be found in the relation between the finance sector and key government and regulatory figures in the US and UK pre-crisis years. Central bankers and leading politicians across the major advanced economies adopted the trade narrative of the major banks about the benefits of light touch regulation amid claims that financial innovation spread risk and a larger financial sector contributed to national prosperity (Engelen et al., 2011: 132-46).

Most important among these figures was Alan Greenspan. As chair of the Federal Reserve, he pushed for the 1999 repeal of the post-depression Glass Steagall Act and subsequently took up the cause of assuaging concerns about the increasing size and complexity of the financial sector. In 2003, for example, Greenspan lauded the success of the burgeoning trade in over-the-counter derivatives, which 'could not have been achieved were it not for counterparties' substantial freedom from regulatory constraints' (Greenspan, 2003). These complex new derivatives, so heavily implicated in the subsequent crash of 2008, were said to be 'underpinning the enhanced resilience of our largest financial intermediaries' by unbundling and redistributing risk (Greenspan, 2003). Two years later, Greenspan noted how credit derivatives had 'contributed to the stability of the banking system', while mounting concerns about the expansion of the shadow banking system were unfounded because 'unregulated and less heavily regulated entities generally are subject to more-effective market discipline than banks' (Greenspan, 2005). In May 2007, just before the onset of the crisis, Greenspan's successor, Ben Bernanke, took exactly the same line.

The increasing sophistication and depth of financial markets promote economic growth by allocating capital where it can be most productive. And the dispersion of risk more broadly across the financial system has, thus far, increased the resilience of the system and the economy to shocks (Bernanke, 2007).

With minor variations, these claims and assertions by central bankers were reported in media articles and incorporated in political speeches on both sides of the Atlantic. Gordon Brown's 2006 and 2007 Mansion House speeches are notorious for the way in which a finance minister read back the finance sector's pre-crisis trade narrative factoids to an audience of the bankers who had paid to have them produced. As with the trade association reports, Brown starts with the big numbers on contribution to the UK by noting in 2007 that '40 per cent of the world's foreign equities are traded here, more than New York' (Brown, 2007), and claiming in 2006 that '[f]inancial services are now 7 per cent of our economy... A larger share of our economy than they are in any other major economy' (Brown, 2006). The speeches laud the 'remarkable achievements' of 'an era that history will record

as the beginning of a new golden age for the City of London' (Brown, 2007). Such repetition of claims and assertions promoted a redefinition of the UK financial sector which was represented less as a humble service industry and more as a national engine of growth in its own right, with a legitimate claim for special legislative treatment (Davis, 2013: 180-8) because 'the City' was a national asset which needed nurturing. Brown's speeches end predictably with lists of finance-friendly legislation introduced or in the pipeline. Thus in 2007 the priority is 'maintaining a competitive tax regime' with the lowest corporation tax in the G8 (Brown, 2007); while in 2006 the commitment is to continuing tight fiscal and monetary policy, and 'a predictable and light touch regulatory environment', confirmed by the rejection of any Sarbanes-Oxley style tightening of company law (Brown, 2006).

Such efforts continued post-crisis but with limited modifications of established trade narrative to take account of events. When the assertions about the benefits of financial innovation were discredited by events post-2008, finance in the UK fought a rear-guard action by reiterating claims about social contribution. If the finance sector was still socially valuable as a job creator and taxpayer, it was implied that policy makers should not pursue the objective of shrinking the financial sector and restraining its operations.

The first UK restatement of this social contribution came in the 2009 Bischoff report (HM Treasury, 2009) where the claims about contribution were jointly signed-off by a senior banker and the then Labour Chancellor, Alastair Darling. In the UK, this positive social contribution argument has since been pushed by new cheerleaders for finance like Boris Johnson when Mayor of London; and the social value of finance narrative has subsequently been explicitly endorsed by Bank of England Governor, Mark Carney (Bank of England, 2013). In the UK, regulators and senior office holding politicians are all now publicly orthodox in an echo effect way about finance's social achievements. In the United States, where regulatory reform has been considerably more ambitious, groups such as the Financial Services Roundtable, representative of the 100 largest financial services companies, have responded more fiercely by criticising the 'aggressive posture' of state agencies; such actions are deemed undesirable because they reduce consumer choice and limits access to finance for low income citizens (Financial Services Roundtable, 2014).

The outcome in UK finance shows how trade narratives about social contribution can be restated with modest revisions, even after massive crisis. Occasionally, as in the global pharmaceutical industry in the late 1990s or UK finance after 2008, trade narratives are damaged by devastating criticism or discrediting events which are accessible and intelligible to the public. In pharmaceuticals, the trade narrative was shredded by NGOs like Médecins Sans Frontières and Oxfam in late 1990s campaigning on the issue of the high costs of anti-retroviral medication to treat HIV-AIDS. The

problems in finance involved damaging events including costly bail-outs of the banking system after 2008, which produced outrage amongst the many who did not understand credit default swaps but could see that finance had privatised gains and was now socialising its losses. The trade's response to criticism is invariably conservative: as in the Bischof report, the supporting statistics are updated and the old narrative is restated with limited variation, on the basis or hope that the echo effect can be re-established.

The effects of trade narrative on citizen opinion are unclear but the presumption is that the political effects on the opinions of ordinary citizens are weak and may often be negligible. It is not difficult for trade associations to place stories, especially in the quality press and broadcast media whose business coverage is much less sceptical and adversarial than their political coverage. Sector specialist journalists are dependent on the trade for continuing access to stories ahead of rivals and, more generally, business pages are filled by the 'churnalism' of copying out press releases. According to an UK content analysis by Lewis *et al.* (2008: 10), 41% of press articles and 52% of broadcast news items in 2006 relied on press releases in an agenda-setting role or as the basis for most of the article. But the effects on newspapers readers and citizens is much more uncertain. Trade narratives add claims about social contribution which circulate in a field of blooming, buzzing confusion about business and 'the economy'. Most UK citizens have a limited understanding of basic economic concepts and measures: for example, in a YouGov opinion poll, 60% of UK respondents could not choose the correct definition of GDP from a short list (Inman, 2015). They are much less likely to remember or weight claims about pharmaceutical industry research expenditures or passenger numbers on the railways.

Trade narratives do not appear to suppress citizen hostility, especially to sectors whose profits depend on public subsidy. This hostility is encouraged by media scapegoating of business villains like the 'scumbag millionaires' in finance; and it is sustained by the enduring appeal of back-to-the-future policy ideas, like rail renationalisation which, according to polls, is consistently supported by a majority of the UK population (YouGov, 2013). But such manifest public hostility in the UK has had limited political effects. The decline of mass parties and traditional forms of political participation in many high income countries, as charted by political scientists like Mair (2013) and Crouch (2004), has resulted in a post-democratic disengagement between the electorate and the professional political classes of centre-left and centre-right which reinforces their unresponsiveness to public opinion. However, this could easily change if insurgent populism threatens their political franchises.

5. The public debate of alternatives?

Our understanding of the diverse forms of elite power changes with each new capitalist conjuncture and as new knowledges shift the field of the visible. The argument of this article has been that existing knowledges have largely ignored trade narrative which serves as an important relay of intra-elite communication between business and financial elites and the senior politicians and elected officials who can use a public interest justification for giving business what it wants in contestable sectors like pharmaceuticals and finance. This is a contribution to elite studies which, as Mills argued, should include 'the framings and practices through which elite power is exercised'.

Such framing was an important part of classical mid-twentieth century elite studies. When Wright Mills tried to explain how the United States had committed to the Cold War without democratic discussion or consent, he opposed Dahlian pluralism by invoking elite power which he credited with the power to abolish resistance through 'authority' and 'manipulation'. The elite exercised power from 'the command posts of modern society' (Mills, 1956: 27) in the business, political and military bureaucracy; while the media produced the discursive formatting that abolished electoral choices. Indeed, Mills' claimed that 'the structural clue to the power elite today... is the decline of politics as genuine and public debate of alternative decisions' (Mills, 1956: 274). His explanation of this process was of its time: for Mills, mid-century America was a 'mass society' where individuals received 'propaganda' from 'centralized points of control' in the media (Mills, 1956: 304-5).

This kind of Millsian explanation is obsolete in financialised capitalism, which has fewer command posts and more diverse elites; and it is also, quite rightly, epistemologically and ontologically unacceptable to present-day social scientists. But the question about the framings and practices through which elite power is exercised remains important even if the outcome is now much less assured. Through halo and echo effects, trade narratives may be important in intra-elite communication between financial, business and political groups but they are almost certainly much less effective in any kind of top down framing of electoral choice. With the rise of populism of the left and right in many high income countries, and after the Brexit vote in the UK, the question must be whether and how, in the next conjuncture, comfortable intra-elite understandings of what is thinkable and doable are disrupted by popular discontents. In thinking about that interference we will need to go forwards using all the resources of cultural economy; as Gond et al. (2015) have argued, Callon proposes one of five available concepts of performativity and maybe, as with post-democracy, we will need to draw on other concepts.

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Biographical details

Andrew Bowman is a Lecturer in the Centre of African Studies, University of Edinburgh, UK.

Julie Froud is Professor at Alliance Manchester Business School, University of Manchester, UK.

Sukhdev Johal is Professor at the Management School, Queen Mary, University of London, UK.

Karel Williams is Professor at Alliance Manchester Business School, University of Manchester, UK.

Notes

¹ A material and linguistic becoming, the evolving fit between discourse and its object, which is commonly - but problematically - translated to 'assemblage' in English language literature (Phillips, 2006)